

Lancaster County, Nebraska
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
For the year ended June 30, 2002

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Lancaster County
Lincoln, Nebraska

We have audited the accompanying financial statements of Lancaster County, Nebraska, (the County) as of and for the year ended June 30, 2002, as listed in the table of contents. These combined financial statements are the responsibility of the management of the County. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the County's 2001 financial statements and, in our report dated October 8, 2001, we expressed a qualified opinion on those financial statements.

We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, Lancaster County, Nebraska prepares its financial statements for its proprietary fund type in accordance with accounting principles generally accepted in the United States of America and all other fund types on a prescribed basis that demonstrates compliance with the budget laws of the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Lancaster County, Nebraska as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, on the basis of accounting as described in Note A.

As described in Note A to the financial statements, the County changed accounting policies related to fixed assets by adopting the Statement of the National Council of Governmental Accounting (NCGAS) No. 1, paragraph 40. Accordingly, the cumulative effect of the accounting change is presented in Note E.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2002, on our consideration of Lancaster County, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the combined financial statements of Lancaster County, Nebraska, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplemental financial information presented on pages 37 through 63, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Omaha, Nebraska
December 23, 2002

Hayes & Associates, LLC

Lancaster County, Nebraska
**COMBINED STATEMENT OF ASSETS AND OTHER DEBITS, LIABILITIES, FUND EQUITY,
AND OTHER CREDITS - ALL FUND TYPES AND ACCOUNT GROUPS**
June 30, 2002

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (memorandum only)
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	
ASSETS AND OTHER DEBITS								
Cash and investments	\$ 9,807,057	\$ 13,390,974	\$ 4,707,759	\$ 1,579,386	\$ 13,962,063	\$ -	\$ -	\$ 43,447,239
Investment in Employees' Retirement System	-	-	-	-	50,450,249	-	-	50,450,249
Prepaid expense	-	-	-	27,160	-	-	-	27,160
Due from other governmental agencies	1,175,000	-	-	-	-	-	-	1,175,000
Property, plant, and equipment (net of accumulated depreciation)	-	-	-	-	-	91,166,788	-	91,166,788
Amount available for debt service	-	-	-	-	-	-	5,621,978	5,621,978
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	12,143,070	12,143,070
Total assets and other debits	\$ 10,982,057	\$ 13,390,974	\$ 4,707,759	\$ 1,606,546	\$ 64,412,312	\$ 91,166,788	\$ 17,765,048	\$ 204,031,484
LIABILITIES, FUND EQUITY, AND OTHER CREDITS								
Liabilities								
Vouchers payable	\$ 1,266,231	\$ 889,792	\$ 27,006	\$ 13,550	\$ 8,431	\$ -	\$ -	\$ 2,205,010
Other liabilities	686,806	583,194	-	1,617	-	-	-	1,271,617
Claims payable	-	-	-	548,722	-	-	-	548,722
Accrued compensated absences	-	-	-	-	-	-	1,945,471	1,945,471
Due to other taxing units	-	-	-	-	13,953,632	-	-	13,953,632
General obligation bonds	-	-	-	-	-	-	15,575,000	15,575,000
Capital lease payable	-	-	-	-	-	-	244,577	244,577
Total liabilities	1,953,037	1,472,986	27,006	563,889	13,962,063	-	17,765,048	35,744,029
Fund equity and other credits								
Investment in general fixed assets	-	-	-	-	-	91,166,788	-	91,166,788
Retained earnings, unreserved	-	-	-	1,042,657	-	-	-	1,042,657
Fund balances (See Note J)	9,029,020	11,917,988	4,680,753	-	50,450,249	-	-	76,078,010
Total liabilities, fund equity, and other credits	\$ 10,982,057	\$ 13,390,974	\$ 4,707,759	\$ 1,606,546	\$ 64,412,312	\$ 91,166,788	\$ 17,765,048	\$ 204,031,484

See accompanying notes and independent auditor's report

Lancaster County, Nebraska
 STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND ENCUMBRANCES, AND
 CHANGES IN UNENCUMBERED CASH - ALL GOVERNMENTAL FUND TYPES
 For the year ended June 30, 2002

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
REVENUES COLLECTED				
Taxes	\$ 36,072,845	\$ 2,684,059	\$ 2,260,951	\$ 41,017,855
Licenses, fees, and rental income	12,776,880	28,667,763	673,649	42,118,292
Investment income	1,287,785	108,897	331,606	1,728,288
Federal	1,786,295	1,487,525	-	3,273,820
State	2,368,106	8,271,704	55,312	10,695,122
Other	1,564,521	13,824,491	131,491	15,520,503
Total revenues collected	55,856,432	55,044,439	3,453,009	114,353,880
EXPENDITURES PAID AND ENCUMBRANCES				
General government	15,166,670	22,617,859	-	37,784,529
Public safety	27,526,920	-	7,712,330	35,239,250
Public welfare and social services	7,612,404	2,941,001	-	10,553,405
Public works	2,330,290	9,992,389	-	12,322,679
Public health	112,928	22,186,683	-	22,299,611
Culture and recreation	-	1,830,289	-	1,830,289
Total expenditures paid and encumbrances	52,749,212	59,568,221	7,712,330	120,029,763
REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID AND ENCUMBRANCES	3,107,220	(4,523,782)	(4,259,321)	(5,675,883)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	268,932	5,113,695	636,700	6,019,327
Operating transfers out	(4,800,637)	(456,021)	(762,669)	(6,019,327)
Total other financing sources (uses)	(4,531,705)	4,657,674	(125,969)	-
REVENUES COLLECTED AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES PAID, ENCUMBRANCES AND OTHER FINANCING USES	(1,424,485)	133,892	(4,385,290)	(5,675,883)
UNENCUMBERED CASH BALANCES, BEGINNING OF YEAR	10,273,414	12,310,765	5,372,857	27,957,036
PRIOR PERIOD ADJUSTMENT	-	(3,608,016)	3,608,016	-
UNENCUMBERED CASH BALANCES, BEGINNING OF YEAR AS RESTATED	10,273,414	8,702,749	8,980,873	27,957,036
ENCUMBRANCES LAPSED	1,268	272,494	1,690	275,452
UNENCUMBERED CASH BALANCES, END OF YEAR (See Note J)	\$ 8,850,197	\$ 9,109,135	\$ 4,597,273	\$ 22,556,605

See accompanying notes and independent auditor's report

Lancaster County, Nebraska
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND ENCUMBRANCES AND
CHANGES IN UNENCUMBERED CASH - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
For the year ended June 30, 2002
(With comparative totals for 2001)

	Actual June 30, 2001	Year ended June 30, 2002		
		Actual	Budget	Favorable (unfavorable) variance
REVENUES COLLECTED				
Taxes	\$ 33,647,272	\$ 36,072,845	\$ 35,227,230	\$ 845,615
Licenses and fees	12,208,948	12,776,880	11,448,700	1,328,180
Investment income	2,420,832	1,287,785	1,952,800	(665,015)
Intergovernmental				
Federal	1,781,734	1,786,295	1,353,570	432,725
State	2,309,321	2,368,106	1,910,359	457,747
Other	1,119,979	1,564,521	1,315,246	249,275
Total revenues collected	53,488,086	55,856,432	53,207,905	2,648,527
EXPENDITURES PAID AND ENCUMBRANCES				
General government	15,005,969	15,166,670	16,966,826	1,800,156
Public safety	23,651,079	27,526,920	28,315,790	788,870
Public welfare and social services	7,101,217	7,612,404	7,622,807	10,403
Public works	2,148,682	2,330,290	2,340,549	10,259
Public health	101,763	112,928	143,484	30,556
Total expenditures paid and encumbrances	48,008,710	52,749,212	55,389,456	2,640,244
REVENUES COLLECTED OVER (UNDER)				
EXPENDITURES PAID AND ENCUMBRANCES	5,479,376	3,107,220	(2,181,551)	5,288,771
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,925,756	268,932	347,932	(79,000)
Operating transfers out	(4,067,259)	(4,800,637)	(4,804,574)	3,937
Total other financing sources (uses)	(2,141,503)	(4,531,705)	(4,456,642)	(75,063)
REVENUES COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER)				
EXPENDITURES PAID, ENCUMBRANCES, AND OTHER FINANCING USES	3,337,873	(1,424,485)	<u>\$ (6,638,193)</u>	<u>\$ 5,213,708</u>
UNENCUMBERED CASH BALANCE, BEGINNING OF YEAR	6,935,400	10,273,414		
ENCUMBRANCES LAPSED	141	1,268		
UNENCUMBERED CASH BALANCE, END OF YEAR	<u>\$ 10,273,414</u>	<u>\$ 8,850,197</u>		

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND ENCUMBRANCES AND
CHANGES IN UNENCUMBERED CASH - BUDGET AND ACTUAL (BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
For the year ended June 30, 2002
(With comparative totals for 2001)

	Actual June 30, 2001	Year ended June 30, 2002		
		Actual	Budget	Favorable (unfavorable) variance
REVENUES COLLECTED				
Taxes	\$ 2,390,416	\$ 2,684,059	\$ 2,823,703	\$ (139,644)
Licenses and fees	25,765,887	28,667,763	26,811,881	1,855,882
Investment income	247,578	108,897	182,743	(73,846)
Intergovernmental				
Federal	1,187,066	1,487,525	1,305,373	182,152
State	7,768,061	8,271,704	8,273,292	(1,588)
Other	10,932,762	13,824,491	12,193,815	1,630,676
Total revenues collected	48,291,770	55,044,439	51,590,807	3,453,632
EXPENDITURES PAID AND ENCUMBRANCES				
General government	19,448,072	22,617,859	23,553,653	935,794
Public welfare and social services	1,702,270	2,941,001	3,457,769	516,768
Public works	9,906,046	9,992,389	11,176,677	1,184,288
Public health	19,664,808	22,186,683	22,531,222	344,539
Culture and recreation	1,796,492	1,830,289	2,162,971	332,682
Total expenditures paid and encumbrances	52,517,688	59,568,221	62,882,292	3,314,071
REVENUES COLLECTED (UNDER)				
EXPENDITURES PAID AND ENCUMBRANCES	(4,225,918)	(4,523,782)	(11,291,485)	6,767,703
OTHER FINANCING SOURCES (USES)				
Operating transfers in	7,904,274	5,113,695	5,089,963	23,732
Operating transfers out	(2,803,566)	(456,021)	(525,021)	69,000
Total other financing sources (uses)	5,100,708	4,657,674	4,564,942	92,732
REVENUES COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID, ENCUMBRANCES, AND OTHER FINANCING USES	874,790	133,892	<u>\$ (6,726,543)</u>	<u>\$ 6,860,435</u>
UNENCUMBERED CASH BALANCE, BEGINNING OF YEAR	19,674,658	12,310,765		
PRIOR PERIOD ADJUSTMENT	(8,765,083)	(3,608,016)		
UNENCUMBERED CASH BALANCE, BEGINNING OF YEAR AS RESTATED	10,909,575	8,702,749		
ENCUMBRANCES LAPSED	526,400	272,494		
UNENCUMBERED CASH BALANCE, END OF YEAR	<u>\$ 12,310,765</u>	<u>\$ 9,109,135</u>		

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND ENCUMBRANCES
AND CHANGES IN UNENCUMBERED CASH - BUDGET AND ACTUAL (BUDGETARY BASIS)
CAPITAL PROJECT FUNDS
For the year ended June 30, 2002
(With comparative totals for 2001)

	Actual June 30, 2001	Year ended June 30, 2002		
		Actual	Budget	Favorable (unfavorable) variance
REVENUES COLLECTED				
Taxes	\$ 2,838,970	\$ 2,260,951	\$ 1,934,018	\$ 326,933
Licenses and fees	-	-	-	-
Net rental income	301,489	673,649	-	673,649
Investment income	418,401	331,606	-	331,606
Intergovernmental				
State	75,168	55,312	10,000	45,312
Other	199,863	131,491	57,278	74,213
Total revenues collected	<u>3,833,891</u>	<u>3,453,009</u>	<u>2,001,296</u>	<u>104,415</u>
EXPENDITURES PAID AND ENCUMBRANCES				
Capital projects	6,644,659	4,573,562	2,239,311	(2,334,251)
Principal payments	2,792,299	2,890,116	5,231,520	2,341,404
Interest payments	264,026	248,652	-	(248,652)
Total expenditures paid and encumbrances	<u>9,700,984</u>	<u>7,712,330</u>	<u>7,470,831</u>	<u>(241,499)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID AND ENCUMBRANCES	(5,867,093)	(4,259,321)	(5,469,535)	(137,084)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds, net of bond issuance costs	-	-	-	-
Operating transfers in	1,335,810	636,700	636,700	-
Operating transfers out	(4,295,015)	(762,669)	(550,000)	(212,669)
Total other financing sources (uses)	<u>(2,959,205)</u>	<u>(125,969)</u>	<u>86,700</u>	<u>(212,669)</u>
REVENUES COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID, ENCUMBRANCES, AND OTHER FINANCING USES	(8,826,298)	(4,385,290)	<u>\$ (5,382,835)</u>	<u>\$ (349,753)</u>
UNENCUMBERED CASH BALANCE BEGINNING OF YEAR	5,416,278	5,372,857		
PRIOR PERIOD ADJUSTMENT	<u>8,765,083</u>	<u>3,608,016</u>		
UNENCUMBERED CASH BALANCE, BEGINNING OF YEAR, RESTATED	14,181,361	8,980,873		
ENCUMBRANCES LAPSED	<u>17,794</u>	<u>1,690</u>		
UNENCUMBERED CASH BALANCE, END OF YEAR	<u>\$ 5,372,857</u>	<u>\$ 4,597,273</u>		

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS -
 INTERNAL SERVICE FUNDS
 For the year ended June 30, 2002
 (With comparative totals for 2001)

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Charges for services	\$ 839,019	\$ 421,861
OPERATING EXPENSES		
Employee services	753,590	247,719
Personnel services	67,631	68,075
Claims expense	260,291	19,718
Total operating expenses	<u>1,081,512</u>	<u>335,512</u>
NET OPERATING INCOME (LOSS)	(242,493)	86,349
NONOPERATING REVENUES (EXPENSES)		
Investment income	43,886	94,049
Nonoperating expenses	<u>(2,184)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>41,702</u>	<u>94,049</u>
NET INCOME (LOSS)	(200,791)	180,398
RETAINED EARNINGS, BEGINNING OF YEAR	<u>1,243,448</u>	<u>1,063,050</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,042,657</u>	<u>\$ 1,243,448</u>

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
 COMBINED STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS
 For the year ended June 30, 2002
 (With comparative totals for 2001)

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (242,493)	\$ 86,349
Adjustments to reconcile operating income (loss) to net cash used by operating activities		
Change in vouchers payable	(47,045)	16,665
Change in claims payable	196,428	(348,722)
Change in other liabilities	<u>62</u>	<u>71</u>
NET CASH USED BY OPERATING ACTIVITIES	(93,048)	(245,637)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating expenses	<u>(2,184)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>43,886</u>	<u>94,049</u>
NET DECREASE IN CASH AND EQUIVALENTS	(51,346)	(151,588)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,630,732</u>	<u>1,782,320</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,579,386</u>	<u>\$ 1,630,732</u>

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUND
For the year ended June 30, 2002
(With comparative totals for 2001)

	<u>2002</u>	<u>2001</u>
ADDITIONS		
Contributions		
Member contributions	\$ 1,884,240	\$ 1,513,705
County contributions	2,519,248	2,270,052
Total contributions	<u>4,403,488</u>	<u>3,783,757</u>
Investment (loss)	<u>(3,212,900)</u>	<u>(4,253,002)</u>
Total additions (loss)	1,190,588	(469,245)
DEDUCTIONS		
Benefits	<u>1,702,983</u>	<u>2,589,078</u>
ADDITIONS OVER DEDUCTIONS	(512,395)	(3,058,323)
FUND BALANCE, BEGINNING OF YEAR	<u>50,962,644</u>	<u>54,020,967</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 50,450,249</u></u>	<u><u>\$ 50,962,644</u></u>

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Lancaster County, Nebraska (the County).

1. Organization

Lancaster County, Nebraska is a governmental entity established under and governed by the laws of the State of Nebraska. As a political subdivision of the State, the County is exempt from state and federal income taxes.

2. Reporting Entity

The County has given consideration to potential component units for which it is financially accountable. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and the ability of the County to impose its will on that organization to provide specific financial benefits to, or impose specific financial burdens on the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component unit. The component unit is included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Complete financial statements of the individual component unit that issues separate financial statements as noted below, can be obtained from their respective administrative office. The associated entity over which the County is considered to be financially accountable is included in the County's financial statements and is described below.

3. Blended Component Unit

The component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as a part of the County and is blended into the appropriate funds and account groups.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Blended Component Unit - Continued

The Lancaster County Leasing Corporation (the Corporation) is a nonprofit corporation that exists for the purpose of issuing bonds for the acquisition or construction of facilities which are in turn leased to the County. Lease payments by the County correspond to principle and interest requirements on the bonds. Operations of the Corporation are included within the Special Revenue and Capital Project Funds amounts in the combined financial statements. Bonds issued by the Corporation are included in the General Long-Term Debt Account Group. The cash and investments of the Corporation are included in the Special Revenue Funds. Separate audited financial statements of the corporation are available at the County City Building, 555 South 10th Street, Lincoln, Nebraska 68508.

4. Joint Ventures

The County has entered into two (2) multi-governmental arrangements creating two (2) entities that are governed by the representatives from each of the participating governments. These entities are considered to be joint ventures. The County retains an ongoing financial responsibility in these entities. The County does not have an ongoing financial interest (equity interest) therefore, these joint ventures are not included in the financial statements of the County.

Lincoln/Lancaster Building Commission

The Lincoln/Lancaster Building Commission (the Commission) was established to design, construct, maintain, operate, improve, remodel, remove, and reconstruct such projects for use both by the City of Lincoln and the County. Rental payments by the County and the City of Lincoln are used to pay expenditures of the Commission including the repayment of bonds. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden on the County. The Commission is governed by a five-seat board of commissioners consisting of two representatives each from the Lincoln City Council and the Lancaster Board of Commissioners and a fifth independent member appointed by the other four members. Complete audited financial statements for the Commission can be obtained from 920 'O' Street, Room 203, Lincoln, Nebraska 68508.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Venture - Continued

Lancaster County Fairgrounds Joint Public Agency

The Lancaster County Fairgrounds Joint Public Agency (the Agency) was established to acquire land and construct capital improvements thereon for the establishment and expansion of the Lancaster County Fairgrounds. The Agency is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden in the County. The board shall consist of five representatives of whom the Society shall appoint three and the County shall appoint two. Complete audited financial statements for the Agency can be obtained from 4100 North 84th Street, Lincoln, Nebraska 68508.

5. Fund Accounting

The accounts of the County are organized on the basis of fund types and account groups, each of which is considered a separate entity with self-balancing accounts that comprise its assets, liabilities, fund balances, unencumbered cash, retained earnings, revenues collected, expenditures paid, encumbrances, and expenses as applicable to the respective fund type or account group. Below is a description of the fund types used by the County:

Governmental Funds:

General Fund - Used to account for current financial resources, not accounted for in other funds, related to general operations.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources which are legally restricted to expenditure for specific purposes.

Capital Projects Fund - Used to account for current financial resources to be used for the acquisition or construction of capital facilities and improvements.

Proprietary Fund Type:

Internal Service Funds - Used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Fund Accounting - Continued

Fiduciary Funds:

Pension Trust Fund - Used to account for the assets of the Lancaster County Employee's Retirement Plan.

Agency Funds - Used to account for assets held by the County as an agent for individuals, private organizations, governmental units and/or funds.

Account Groups:

General Long-Term Debt Account Group - This account group is established to account for all long-term liabilities of the County except those accounted for in the other funds.

General Fixed Assets Account Group - This account group is established to account for fixed assets used in governmental fund operations.

6. Bases of Accounting

Governmental Fund Types - The Governmental Funds prepare their financial statements on a basis of accounting that demonstrates compliance with the budget laws of the State of Nebraska.

The County recognizes revenue when received and expenditures when paid, with the exception of vouchers payable and commitments such as salaries owed and purchase orders (reserve for encumbrances) which are recorded as expenditures when the purchase order is issued. The governmental fund types do not include accounts receivable, prepaid items, or accrued compensated absences. The measurement focus of the County's governmental fund types is upon determination of changes in unencumbered cash.

Proprietary Fund Type - The Proprietary Fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the balance sheet. Revenues are recognized when earned and expenses are recognized when the related fund liability is incurred.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - Continued

In reporting the financial activity of its proprietary funds, the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

Fiduciary Fund Type - Trust and Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include the Pension Trust and the Agency Funds.

The Pension Trust Fund is accounted for and reported similar to the proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

7. Investments

Investments are stated at cost, except for investments in the pension trust fund (annuities, insurance contracts, and mutual funds) which are carried at fair value.

8. General Fixed Assets

General fixed assets are those assets which have been acquired for general government purposes. Upon acquisition, such assets are recorded as expenditures in the appropriate governmental fund type and capitalized at estimated fair value for buildings, historical cost or replacement cost if actual cost is not available for equipment, or, in the case of contributed assets, at estimated fair value at the time of contribution in the general fixed assets account group. During 2002, the County changed accounting policies related to fixed assets by adopting the Statement of the National Council of Governmental Accounting (NCGAS) No.1, paragraph 40. Also, certain fixed assets were reclassified to conform with the categories used by the County. The County raised the capitalization threshold for equipment and buildings to \$5,000. The capitalization threshold for infrastructure assets is \$5,000. Infrastructure assets include roads, bridges, and culverts. Depreciation is calculated using the straight-line method with a modified full month conversion. The estimated useful life ranges from 5 to 50 years.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types. At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorizations for expenditures in the subsequent year.

10. Compensated Absence

It is the County's policy to permit employees to earn annual vacation and sick leave at various rates during their periods of employment. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum carry over of 240 hours. Employees do not receive payment of unused sick leave upon termination of employment except for retirement, death, or if the employee has 15 years of service and has in excess of 1,000 hours of extended sick leave. Compensation for future vacation is recognized as earned for the Governmental Funds in the General Long-term Debt Account Group and is recorded as an expenditure by the Governmental Funds when used.

11. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for each County fund showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amount to be raised by property taxation. The budget is prepared on the cash receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Budgets and Budgetary Accounting - Continued

On or before September 20 each year the County Board of Commissioners, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted and the amounts provided therein are appropriated.

The County Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, revisions that alter the total expenditures of any fund require that an additional public hearing be held.

12. Property Taxes

Based on the valuation as of January 1, property taxes are levied by the County Board on or before November 1, of each year for all political subdivisions in the County. Real estate and personal property taxes are each due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The County collects its own property taxes and those of certain other taxing entities. Collections of the taxes for others, pending distribution, are accounted for in agency funds.

Counties are permitted by the State Constitution to levy a tax up to \$.50/\$100 of assessed valuation for general governmental services other than the payment of principle and interest on bonded debt. They may levy taxes in addition to the \$.50 limitation upon a vote of the people. The tax levy remained below the \$.50 limitation for 2002.

Also, \$.05 of the \$.50 limit may only be levied to provide services offered jointly with another government under an inter-local agreement. The County may share \$.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Property Taxes - Continued

Additionally, the legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing "restricted funds" which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to buildings in excess of 2.5%. Restricted funds include property taxes, payments in lieu of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

13. Interfund Transactions

Following is a description of the types of interfund transactions made during the year and the related accounting policies:

Transactions for services rendered or facilities provided (quasi-external transactions) - these transactions are recorded as revenue collected in the receiving fund and expenditures paid in the disbursing fund.

Transactions to reimburse a fund for expenditures paid by it for a specific identifiable cost applicable to the reimbursing fund - these transactions are recorded as expenditures paid in the disbursing fund and as expenditure reimbursements in the receiving fund.

Operating transfers - these transactions include all other transactions not classified as quasi-external transactions or reimbursements.

14. Total Column on Combined Statements

The total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data and such data is not comparable to a consolidation.

15. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term investments which are carried at cost and have an original maturity when purchased, of less than 90 days.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Comparative Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the County's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

NOTE B. DEPOSITS AND INVESTMENTS

The County has pooled the cash resources of the various funds for investment purposes. Each fund's portion of total cash and investments is summarized by fund type on the combined statement of assets and other debits, liabilities, fund equity and other credits - all fund types and account groups. Interest earned on pooled funds, except for interest earned on the pension trust is credited to the County General Fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

In accordance with Nebraska State Statute Section 77-2326.04, no deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) shall be made in any financial institution unless the County has received security for the prompt repayment of the deposits in excess of the amount insured by the FDIC in the form of surety bond with corporate sureties approved by the County or a pledge of security interest.

1. Deposits

For reporting purposes, the County's deposits are in these three categories of credit risk:

- Category 1. Insured or registered, or securities held by the County or its agent in the County's name.
- Category 2. Uninsured and unregistered with securities held by the counterpart or by its trust department or agent in the County's name.
- Category 3. Uninsured and unregistered with securities held by the counterpart, or by its trust department or agent, but not in the County's name.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE B. CASH AND INVESTMENTS - CONTINUED

1. Deposits - Continued

As of June 30, 2002, the County's total deposits were \$20,745,897. Category one credit risk was \$20,745,897. As of June 30, 2002, Lancaster County Leasing Corporation's deposits of \$426,550 were held in trust in a money market fund that invests in U.S. Government Securities.

2. Investments

Nebraska State Statute Section 77-2315 authorizes the County Treasurer with the consent of the County Board to invest in United States Government bonds, bonds and debentures issued either singly or collectively by any of the twelve federal land banks, the twelve intermediate credit banks, or the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, United States Treasury notes, bills or certificates of indebtedness maturing within two years from the date of purchase, or in certificates of deposit.

For reporting purposes, the County's securities are in these three categories of credit risk:

Category a. Insured or registered, or securities held by the County or its agent in the County's name.

Category b. Uninsured and unregistered with securities held by the counterpart or by its trust department or agent in the County's name.

Category c. Uninsured and unregistered with securities held by the counterpart, or by its trust department or agent, but not in the County's name.

The County's investments, totaling \$10,476,594 consisted of U.S. Government Securities and U.S. Government Securities held in trust (Lancaster County Leasing Corporation). The U.S. Government Securities were category "c" credit risk.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE B. CASH AND INVESTMENTS - CONTINUED

3. Investments in Employee's Retirement System

Investments in the employees' retirement system are carried at fair value. At June 30, 2002, the balances of investments in the employees' retirement system were \$50,450,249. The investments consist of mutual funds and similar pooled arrangements and, therefore, are not categorized as to credit risk.

4. Summary of Cash and Investments

The carrying value and fair value for cash and investments was as follows at June 30, 2002:

	Carrying Value	Fair Value
Cash on hand	\$ 727,670	\$ 727,670
Cash in bank (checking, money markets, CD's)	20,598,339	20,598,339
Cash in trust	426,550	426,550
Federal Home Loan Note	3,966,691	3,966,691
Repurchase agreement	1,314,476	1,314,476
NPAIT (U.S. Government Securities)	2,566,000	2,566,000
STIFIT (U.S. Government Securities)	8,652,085	8,652,085
U.S. Government Securities held in trust	5,195,428	5,273,065
	<u>\$ 43,447,239</u>	<u>\$ 43,524,876</u>

NOTE C. LEASES

1. Capital Leases

The County entered into several lease agreements for equipment and vehicle purchases with unrelated parties at interest rates ranging from 3.25% to 5.50 %. The leases are accounted for as capital leases in the General Fixed Assets Account Group and the related obligations are accounted for in the General Long-Term Debt Account Group. Assets under capital leases totaled \$399,819.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE C. LEASES

1. Capital Leases - Continued

The following is a schedule of future minimum lease payments, which will be paid by the general fund, under capital leases, together with the net present value of the minimum lease payments as of June 30, 2002.

<u>Year ending June 30,</u>	<u>Amount</u>
2003	\$ 63,136
2004	60,052
2005	53,853
2006	45,024
2007	<u>22,512</u>
Total minimum lease payments	244,577
Less, amount representing interest	<u>(19,374)</u>
Present value of minimum lease payments	<u>\$ 225,203</u>

2. Operating Leases

The County has several operating leases for office space at various locations with unrelated parties. The County has subleased one of the offices and receives rental income equal to the amount of the monthly lease payment.

Future minimum lease payments due under these operating leases and related sublease as of June 30, 2002, are as follows:

<u>Year ending June 30,</u>	<u>Leases</u>	<u>Sublease</u>	<u>Net Lease Payments</u>
2003	\$ 114,864	\$ 51,636	\$ 63,228
2004	114,864	51,636	63,228
2005	114,864	51,636	63,228
2006	115,391	51,636	63,755
2007	121,188	51,636	69,552
2008-2012	497,287	142,000	355,287
2013-2017	<u>299,625</u>	<u>-</u>	<u>299,625</u>
	<u>\$ 1,378,083</u>	<u>\$ 400,180</u>	<u>\$ 977,903</u>

Rent expense for these operating leases for the year ended June 30, 2002, is approximately \$123,428. Rental income is approximately \$50,295 on the sublease.

Community Mental Health Center, (a special revenue fund of the County) maintains month-to-month operating leases for various apartments used to house the mentally ill, as well as office space used for operations. Lease expenditures paid were approximately \$204,754 for the year ended June 30, 2002.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE D. LONG-TERM DEBT

The following is a list of outstanding general and tax-supported bonds by issue date:

<u>Issue Date</u>	<u>Scheduled Retirement Date</u>	<u>Date Callable</u>	<u>Interest Rate Range</u>	<u>Amount Originally Issued</u>	<u>Outstanding at June 30, 2002</u>
10-15-94	12-01-04	10-15-99	4.10 - 5.65	\$ 2,965,000	\$ 1,065,000
11-01-95	11-01-05	11-01-00	3.80 - 4.85	765,000	345,000
12-01-95	12-01-06	12-01-00	4.00 - 5.00	1,450,000	800,000
10-30-98	07-15-12	10-30-03	3.25 - 4.50	7,415,000	5,755,000
11-15-99	11-15-06	11-15-04	4.00 - 4.50	10,155,000	7,610,000
				<u>\$22,750,000</u>	<u>\$15,575,000</u>

The annual requirement to pay principal and interest on outstanding general and tax-supported bonds are shown below:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2003	\$ 2,405,000	\$ 644,194	\$ 3,049,194
2004	2,510,000	547,396	3,057,396
2005	2,630,000	436,616	3,066,616
2006	2,350,000	329,661	2,679,661
2007	2,360,000	228,690	2,588,690
2008-2013	<u>3,320,000</u>	<u>455,047</u>	<u>3,775,047</u>
	<u>\$ 15,575,000</u>	<u>\$ 2,641,604</u>	<u>\$ 18,216,604</u>

The changes in the General Long-Term Debt Account Group are shown below:

	<u>June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2002</u>
General obligation bonds	\$ 17,880,000	\$ -	\$ 2,305,000	\$ 15,575,000
Capital leases payable	92,001	251,609	99,033	244,577
Compensated absences	<u>1,705,281</u>	<u>240,190</u>	<u>-</u>	<u>1,945,471</u>
	<u>\$ 19,677,282</u>	<u>\$ 491,799</u>	<u>\$ 2,404,033</u>	<u>\$ 17,765,048</u>

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE E. GENERAL FIXED ASSETS

The following is a summary of the changes in fixed assets as they appear in the combined financial statements as of June 30, 2002.

	June 30, 2001	Additions	Deletions	Change in Accounting Principle	June 30, 2002
Fixed Assets					
Land	\$ 503,298	\$ -	\$ -	\$ 4,932,638	\$ 5,435,936
Land improvements	-	119,100	-	1,491,427	1,610,527
Building	54,036,008	9,584,423	187,086	(12,730,318)	50,703,027
Equipment	17,493,817	822,306	648,827	(3,649,668)	14,017,628
Capital leases	481,290	-	-	(481,290)	-
Construction in progress	7,269,242	-	-	(7,269,242)	-
Infrastructure	-	245,335	-	46,921,756	47,167,091
	<u>\$79,783,655</u>	<u>\$10,771,164</u>	<u>\$ 835,913</u>	<u>\$ 29,215,303</u>	<u>\$118,934,209</u>
Accumulative Depreciation					
Land	-	-	-	-	-
Land improvements	-	74,881	-	414,993	489,874
Building	-	1,234,884	-	9,916,412	11,151,296
Equipment	-	1,098,844	-	7,362,598	8,461,442
Capital leases	-	-	-	-	-
Construction in progress	-	-	-	-	-
Infrastructure	-	466,231	-	7,198,578	7,664,809
	<u>\$ -</u>	<u>\$ 2,874,840</u>	<u>\$ -</u>	<u>\$24,892,581</u>	<u>\$27,767,421</u>
Property, plant, and equipment, net of accumulated depreciation	<u>\$79,783,655</u>	<u>\$ 7,896,324</u>	<u>\$ 835,913</u>	<u>\$ 4,322,722</u>	<u>\$91,166,788</u>

NOTE F. EMPLOYEES' RETIREMENT SYSTEM

The County Board has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county having a population of more than 100,000 inhabitants, the authority to provide retirement benefits to its employees, and to establish a fully funded, single-employer, defined contribution retirement plan (the Lancaster County, Nebraska Employees Retirement Plan).

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE F. EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

The Plan automatically covers substantially all regular employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing 6 months of continuous service, employees may voluntarily enter the Plan. The employee has the choice of whether or not to participate in the Plan if the employee has attained the age 55 prior to the date of employment. The County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. The combined contributions cannot exceed 13 percent of earned income.

Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, normal retirement at age 60, or early retirement at aged 55 with 10 consecutive years of participation in the Plan.

The employee and employer contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20 percent per year for years three through seven in the Plan. For the year ended June 30, 2002, employees contributed \$1,679,499 and the County contributed \$2,519,248 to the Plan.

NOTE G. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, and natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles) with the exception of workers' compensation and general liability. The County has established Workers' Compensation Loss and Self-Insurance Funds (internal service funds) to account for and finance a portion of its uninsured risks of loss. The County is self-insured up to \$300,000 per occurrence for workers' compensation risks and up to \$100,000 per occurrence for general liability risks. The self-insurance programs are administered by the Workers' Compensation and Risk Management Manager. Settled claims have not exceeded commercial coverage in any of the last three years. Commercial insurance covers the excess of the self-insured amount to a maximum of \$1,000,000 for employers' liability and statutory limits for worker's compensation and \$5,000,000 for general liability.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE G. RISK MANAGEMENT - CONTINUED

The County utilizes the services of an actuary to prepare an analysis of the self-insured worker's compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs. The programs are funded on a cash basis with annual premiums charged to all governmental fund types, except Lancaster Manor Fund, based on past experience of incurred losses and remitted to the Workers' Compensation Loss and Self-Insurance Internal Service Funds.

The estimated liability for claims of \$548,722 reported in the Workers' Compensation Loss Fund and \$0 in the general liability self-insurance fund at June 30, 2002 is based on the requirements of GASB Statement No. 10. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has not purchased annuity contracts from commercial insurers to satisfy certain liabilities under worker's compensation or general liability claims. The change in the estimated liability for claims is as follows for the year ended June 30, 2002:

	General Liability	Workers' Compensation	Total
Beginning balance	\$ 20,000	\$ 332,294	\$ 352,294
Current year claims and changes in estimates	90,801	536,194	626,995
Claim payments	<u>(110,801)</u>	<u>(319,766)</u>	<u>(430,567)</u>
Ending balance	<u>\$ -</u>	<u>\$ 548,722</u>	<u>\$ 548,722</u>

NOTE H. DEFICIT BALANCES

The following Special Revenue Funds had an unencumbered cash deficit as of June 30, 2002:

Rural Library	\$ (26,718)
Families First & Foremost	\$ (356,002)
County/City Property Management	\$ (162,828)
Mental Health	\$ (260,515)

The County anticipates that revenues collected will exceed expenditures paid and encumbrances in the year ended June 30, 2003, eliminating the deficit balances for these funds.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE I. COMMITMENTS AND CONTINGENT LIABILITIES

1. Federal Financial Assistance

The County participates in a number of federally assisted grant programs. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would be immaterial to the accompanying combined financial statements.

2. Other

Several claims were filed against the County relating to several wrongful death suits, injuries, and medical expenses. In management's opinion, it is premature at this time to determine the likelihood of an unfavorable outcome or the range of potential loss of these claims.

The Lancaster Manor (a special revenue fund of the County) is not part of the Risk Management Fund and pays its claims on a cash basis; thus, no liability has been recorded in the combined statement of assets and other debits, liabilities, fund equity, and other credits in the special revenue fund. The amount estimated by the County for Lancaster Manor for pending or threatened litigation for which an unfavorable outcome is considered reasonably possible is approximately \$144,012. The County has not set aside funds to cover this estimated liability and will pay when and if the claims come due.

NOTE J. FUND BALANCES

At June 30, 2002, fund balances consisted of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust and Agency</u>	<u>Total</u>
Reserved for Employee's Retirement System	\$ -	\$ -	\$ -	\$ 50,450,249	\$ 50,450,249
Reserved for encumbrances	178,823	2,808,853	83,480	-	3,071,156
Reserved for debt service	-	5,621,978	-	-	5,196,628
Unencumbered cash balance	<u>8,850,197</u>	<u>3,487,157</u>	<u>4,597,273</u>	<u>-</u>	<u>16,934,627</u>
	<u>\$ 9,029,020</u>	<u>\$ 11,917,988</u>	<u>\$ 4,680,753</u>	<u>\$ 50,450,249</u>	<u>\$ 75,652,660</u>

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE K. POSTEMPLOYMENT BENEFITS

The postemployment health program was established in September 1998 to enable Lancaster County to set aside monies for employees to use for qualified medical expenses after termination. The money is paid to an account in the employee's name and a "pay as you go" basis. The employee accounts are administered by Nationwide Investment Corporation.

After six months of employment with the County, employees are automatically enrolled in the plan at no cost to the employee. The qualification for this program is listed under the Internal Revenue Code 501(c)(9). All contributions and expenditures are outlined in the Trust Agreement and Participation Agreement and may change from time to time to comply with the changes in the Trust Agreement or Tax Code. Currently 993 beneficiaries meet the eligibility requirements.

The total cost for the postemployment health program for fiscal year 2002 was \$618,819.

NOTE L. CONDUIT DEBT

Hospital Authority-Bryan LGH

Lancaster County has issued Industrial Development Revenue Bonds, for \$35,750,000 to refinance the Series 1988 Bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2002, the aggregate principal amount payable was \$27,935,000.

Hospital Authority-Lincoln Medical Education Foundation, Inc.

Lancaster County has issued Industrial Development Revenue Bonds, for \$4,250,000 to finance a portion of the costs of the acquisition, construction, equipping, and installing health care and related facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$2,455,000.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE L. CONDUIT DEBT - CONTINUED

Jacob North Printing Co. Inc.

Lancaster County has issued Industrial Development Revenue Bonds, for \$1,680,000 to provide for the acquisition, construction, and installation of a manufacturing facility located in Lancaster County and to refund the issuer's Industrial Development Revenue Bond Series 1989, and to secure the repayment of the bonds. The facility will provide printing and related equipment. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal was \$ 955,000.

Hospital Authority-Lincoln/Lancaster Drug Projects

Lancaster County has issued Industrial Development Revenue Bonds, for \$1,515,000 to acquire and renovate a facility to be occupied by Centerpointe, a substance abuse center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$1,420,000.

Hospital Authority-Bryan LGH

Lancaster County has issued Industrial Development Revenue Bond, for \$33,980,000 to pay for the costs of constructing, acquiring, equipping, and furnishing certain capital improvements to the hospital's facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$29,275,000.

Hospital Authority-Bryan LGH

Lancaster County has issued Industrial Development Revenue Bonds, for \$34,725,000 to finance a portion of the acquisition expenses by Bryan LGH of certain assets of Lincoln General Hospital, to pay for routine capital expenditures of Lincoln General Hospital, to pay the premium on the bond insurance policy and to pay certain costs incurred in connection with the issuance of the 1997B bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$34,725,000.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE L. CONDUIT DEBT - CONTINUED

Madonna Rehabilitation Hospital

Lancaster County has issued Industrial Development Revenue Bonds, for \$8,800,000 to provide a portion of the funds required to defease, pay, refund, redeem, and retire all \$3,250,000 of the Authority's outstanding Revenue Bonds, Series 1997B (Madonna Center Project) dated May 15, 1997 and to finance the acquisition construction and equipping of additions and improvements to the rehabilitation hospital and long term health care facilities owned and operated by Madonna. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$7,665,000.

Lincoln Action Program

Lancaster County has issued Industrial Development Revenue Bonds, for \$2,500,000 to finance the construction of the new facility for lease to the Lincoln Action Program. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$2,460,000.

Goodwill Industries

Lancaster County has issued Industrial Development Revenue Bonds, for \$500,000 to acquire and construct an industrial warehouse facility and remodel office space and related improvements. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$429,090.

Garner Industries

Lancaster County has issued Industrial Development Revenue Bonds, for \$6,500,000 for the acquisition, construction, installation and completion of land and depreciable property for a manufacturing project for Garner Industries, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$6,265,000.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE L. CONDUIT DEBT - CONTINUED

Hospital Authority-Dialysis Center

Lancaster County has issued Industrial Development Revenue Bonds, for \$950,000 to provide for payment of principle and interest on the 1996 bonds to be redeemed 12/01/01, and pay a portion of the costs of acquiring equipment and furnishings for a 12 station hemodialysis facility located at 4911 N. 26th Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal amount payable was \$800,000.

Eastmont Towers

Lancaster County has issued Industrial Development Revenue Bonds, for \$5,000,000 to construct an addition to the existing facility at 63rd and 'O' Streets, Lincoln, Nebraska and to finance the acquisition, construction, and equipping of improvements and additions to the health care facility. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2002, the aggregate principle amount payable was \$4,705,000.

Hospital Authority #1

Lancaster County has issued Variable Rate Health Facility Revenue Bonds, for \$37,000,000 to finance the cost of purchasing, constructing, acquiring, and improving a health care and residential facility for the elderly owned by Immanuel Retirement Communities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$35,035,000.

Hospital Authority-Bryan LGH

Lancaster County has issued Hospital Revenue Bonds, for \$78,380,000 to be used for the Bryan LGH Medial Center Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$78,380,000.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE. L. CONDUIT DEBT - CONTINUED

Lincoln Machine, Inc.

Lancaster County has issued Industrial Development Revenue Term Bonds for \$34,000,000 to be used to finance a portion of the costs to acquire, construct, and equip a manufacturing facility for the use of L and R Properties Limited Partnership and Lincoln Machine, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$3,260,000.

Hospital Authority-Development Services of Nebraska

Lancaster County has issued Industrial Development Revenue Bonds, for \$1,400,000 to finance health care facilities to be located at 8125 Joshua Drive, 1720 Timber Ridge Rd. and 5001 N. 57th Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$1,340,028.

Hospital Authority #1-Community Blood Bank/Lancaster County Medical Society

Lancaster County has issued Revenue Bonds, for \$2,500,000 for the Community Blood Bank of Lancaster County Medical Society project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$2,405,000.

Hospital Authority #1-Madonna Rehabilitation Hospital

Lancaster County has issued Industrial Development Revenue Bonds, for \$1,500,000 to purchase a new computer system. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$1,251,261.

Lancaster County, Nebraska
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2002

NOTE L. CONDUIT DEBT - CONTINUED

Tabitha, Inc.

Lancaster County has issued Industrial Development Bonds, for \$1,389,000 to be used for the acquisition, construction, and equipping of improvements and additions to health care facilities owned and operated by Tabitha, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principle amount payable was \$1,389,000.

NOTE M. DUE TO OTHER GOVERNMENTAL AGENCIES

On May 7, 2002, Lancaster County entered into a promissory loan with the Public Building Commission. The loan of \$1,175,000 is payable in full on September 1, 2002 with an interest rate of 5% per annum.

NOTE N. PRIOR PERIOD ADJUSTMENT

Included in the prior year special revenue fund balances was a capital projects fund. Therefore, a reclassification of fund balance of \$3,608,016 was made as of July 1, 2001 for the special revenue funds and capital projects fund.

NOTE O. SUBSEQUENT EVENT

As of January 9, 2003, the Register of Deeds office merged into the Assessor/Register of Deeds office as approved by the voters in the November 2000 general election.

SUPPLEMENTAL INFORMATION

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES PAID AND ENCUMBRANCES BY FUNCTION AND DEPARTMENT (BUDGETARY BASIS)
GENERAL FUND
For the year ended June 30, 2002
(With comparative totals for 2001)

	Personal services	Supplies	Other services and charges	Capital outlays	Totals	
					2002	2001
General Government						
Board of Commissioners	\$ 189,698	\$ -	\$ -	\$ -	\$ 189,698	\$ 179,202
Clerk	520,884	4,419	186,604	734	712,641	690,638
Treasurer	1,662,625	40,038	656,684	1,260	2,360,607	2,209,334
Register of Deeds	445,395	9,850	164,729	1,215	621,189	523,993
Assessor	1,866,851	13,002	507,023	-	2,386,876	2,188,533
Election Commissioner	457,995	40,246	184,611	511	683,363	917,012
Data Processing	-	2,256	510,844	114,246	627,346	719,009
Budget and Fiscal Division	100,769	5	5,094	-	105,868	100,889
General Government	74,174	-	1,149,024	2,800	1,225,998	1,313,820
Administrative Services	225,595	3,206	31,624	-	260,425	174,853
Geographic Information System	283,874	1,203	61,442	14,615	361,134	334,770
Clerk of District Court	893,142	14,728	226,196	-	1,134,066	1,143,762
County Court	1,550	29,062	592,438	2,630	625,680	591,646
Juvenile Court	236,452	5,218	671,430	371	913,471	1,237,881
District Court	622,735	16,537	1,148,457	-	1,787,729	1,617,155
Agricultural Agent	274,144	18,975	463,211	23,925	780,255	736,740
Records and Information Management	227,130	15,844	128,986	18,364	390,324	326,732
Total general government	8,083,013	214,589	6,688,397	180,671	15,166,670	15,005,969
Public Safety						
Sheriff	5,247,741	160,566	698,336	258,716	6,365,359	5,836,453
Attorney	3,765,594	21,280	813,629	2,153	4,602,656	4,039,155
Corrections	5,957,783	373,253	1,885,042	506,293	8,722,371	7,727,865
Adult Probation	-	2,600	41,634	2,185	46,419	74,084
Adult Probation County Court	25,049	9,815	131,924	1,539	168,327	127,647
Detention Center	2,451,559	49,543	1,282,722	14,743	3,798,567	2,757,366
Intensive Supervision Probation	-	1,875	15,073	4,054	21,002	19,742
Emergency Services	80,743	8,835	77,463	134,689	301,730	266,246

See independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES PAID AND ENCUMBRANCES BY FUNCTION AND DEPARTMENT (BUDGETARY BASIS)
GENERAL FUNDS - CONTINUED
For the year ended June 30, 2002
(With comparative totals for 2001)

	Personal services	Supplies	Other services and charges	Capital outlays	Totals	
					2002	2001
Public Safety - Continued						
Jury Commissioner	\$ 50,632	\$ 494	\$ 21,108	\$ -	\$ 72,234	\$ 68,153
Justice miscellaneous	-	-	1,046,052	569	1,046,621	592,830
Public Defender	1,899,483	10,750	258,540	4,267	2,173,040	1,966,665
Indigent Defense Screener	47,058	37	2,046	-	49,141	18,922
Juvenile probation	-	3,331	155,755	367	159,453	155,951
Total public safety	<u>19,525,642</u>	<u>642,379</u>	<u>6,429,324</u>	<u>929,575</u>	<u>27,526,920</u>	<u>23,651,079</u>
Public Welfare and Social Services						
Veterans Service Center	184,419	4,790	19,668	780	209,657	189,177
Human Services	203,568	1,646	38,667	1,572	245,453	169,492
Health and Human Services	-	-	5,012,936	-	5,012,936	4,709,835
General Assistance	-	3,129	2,141,229	-	2,144,358	2,032,713
Total public welfare and social services	<u>387,987</u>	<u>9,565</u>	<u>7,212,500</u>	<u>2,352</u>	<u>7,612,404</u>	<u>7,101,217</u>
Public Works, Engineer	2,081,440	10,281	105,067	133,502	2,330,290	2,148,682
Public Health, Mental Health Board	<u>87,558</u>	<u>343</u>	<u>25,027</u>	<u>-</u>	<u>112,928</u>	<u>101,763</u>
Total expenditures paid and encumbrances	<u>\$ 30,165,640</u>	<u>\$ 877,157</u>	<u>\$ 20,460,315</u>	<u>\$ 1,246,100</u>	<u>\$ 52,749,212</u>	<u>\$ 48,008,710</u>

See independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES PAID AND ENCUMBRANCES BY FUNCTION AND DEPARTMENT (BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
For the year ended June 30, 2002
(With comparative totals for 2001)

	Personal services	Supplies	Other services and charges	Capital outlays	Totals	
					2002	2001
General Government						
Federal Grants	\$ -	\$ 15,233	\$ 19,242,382	\$ 43,057	\$ 19,300,672	\$ 16,444,379
Weed Control	188,266	5,482	66,219	1,797	261,764	260,994
County/City Building Maintenance	2,130,443	-	-	-	2,130,443	1,954,407
County Property and Management	304,273	53,444	358,346	18,430	734,493	605,745
City Building Management	-	7,817	169,622	13,048	190,487	182,547
Total general government	2,622,982	81,976	19,836,569	76,332	22,617,859	19,448,072
Public Welfare and Social Services						
Veteran's Aid	-	-	10,000	-	10,000	10,000
Families First & Foremost	310,333	26,065	1,790,996	22,371	2,149,765	1,674,472
Rural Enterprise Assistance Fund	-	-	10,006	-	10,006	42
Economic Development	-	-	307,425	463,805	771,230	17,756
Total public service	310,333	26,065	2,118,427	486,176	2,941,001	1,702,270
Public Works						
Bridge and Special Road	1,621,857	506,168	75,061	2,694,360	4,897,446	5,008,608
Highway	1,905,247	1,456,228	202,164	1,531,304	5,094,943	4,897,438
Total public works	3,527,104	1,962,396	277,225	4,225,664	9,992,389	9,906,046
Public Health						
Lancaster Manor	10,955,740	1,046,328	2,945,462	105,689	15,053,219	13,406,229
Community Mental Health Center	4,637,038	59,053	2,375,777	61,596	7,133,464	6,258,579
Total public health	15,592,778	1,105,381	5,321,239	167,285	22,186,683	19,664,808

See independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES PAID AND ENCUMBRANCES BY FUNCTION AND DEPARTMENT (BUDGETARY BASIS)
SPECIAL REVENUE FUNDS - CONTINUED
For the year ended June 30, 2002
(With comparative totals for 2001)

	Personal services	Supplies	Other services and charges	Capital outlays	Totals	
					2002	2001
Culture and Recreation						
Visitor's Promotion	\$ -	\$ -	\$ 808,000	\$ -	\$ 808,000	\$ 798,300
Rural Library	-	-	551,628	-	551,628	456,572
Keno	-	-	329,401	141,260	470,661	541,620
Total culture and recreation	-	-	1,689,029	141,260	1,830,289	1,796,492
 Total expenditures paid and encumbrances	 \$ 22,053,197	 \$ 3,175,818	 \$ 29,242,489	 \$ 5,096,717	 \$ 59,568,221	 \$ 52,517,688

See independent auditor's report.

Lancaster County, Nebraska
COMPARATIVE ANALYSIS OF TAXES CERTIFIED, CORRECTIONS,
AND COLLECTIONS
For the five years ended June 30, 2002

	Tax year				
	1997	1998	1999	2000	2001
TAX CERTIFIED BY ASSESSOR					
Real estate	\$ 194,225,169	\$ 184,026,918	\$ 199,325,546	\$ 203,806,692	\$ 225,017,438
Personal	14,534,665	12,651,956	13,537,222	13,992,687	14,317,710
Specials	4,471,137	3,881,752	4,698,411	5,171,542	5,325,976
Total	<u>213,230,971</u>	<u>200,560,626</u>	<u>217,561,179</u>	<u>222,970,921</u>	<u>244,661,124</u>
CORRECTIONS					
Additions	98,954	393,079	139,145	219,768	48,574
Deductions	-	-	-	-	-
Net additions (deductions)	<u>98,954</u>	<u>393,079</u>	<u>139,145</u>	<u>219,768</u>	<u>48,574</u>
CORRECTED CERTIFIED TAX	213,329,925	200,953,705	217,700,324	223,190,689	244,709,698
NET TAX COLLECTED BY COUNTY TREASURER DURING FISCAL YEAR ENDED					
June 30, 1998	119,310,018	-	-	-	-
June 30, 1999	93,686,046	112,486,439	-	-	-
June 30, 2000	176,891	88,152,724	121,995,358	-	-
June 30, 2001	44,017	128,080	95,437,529	124,421,356	-
June 30, 2002	<u>34,567</u>	<u>97,723</u>	<u>148,773</u>	<u>98,455,531</u>	<u>135,186,404</u>
TOTAL NET TAX COLLECTIONS	<u>213,251,539</u>	<u>200,864,966</u>	<u>217,581,660</u>	<u>222,876,887</u>	<u>135,186,404</u>
TOTAL UNCOLLECTED TAX	<u>\$ 78,386</u>	<u>\$ 88,739</u>	<u>\$ 118,664</u>	<u>\$ 313,802</u>	<u>\$ 109,523,294</u>
PERCENTAGE OF UNCOLLECTED TAX AS OF JUNE 30, 2002	<u>0.04%</u>	<u>0.04%</u>	<u>0.05%</u>	<u>0.14%</u>	<u>44.76%</u>

See independent auditor's report.

STATEMENTS OF ACCOUNTABILITY

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
COUNTY CLERK
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF YEAR	\$	50
COLLECTIONS		
Recording and miscellaneous fees		7,956
Marriage license fees		34,605
Liquor licenses		<u>12,110</u>
Total collections		54,671
CREDITS		
Paid to County Treasurer		
Recording and miscellaneous fees		7,956
Marriage license fees		34,605
Liquor licenses		<u>12,110</u>
Total paid to County Treasurer		54,671
Total credits		<u>54,671</u>
BALANCE ON HAND, END OF YEAR	\$	<u>50</u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
REGISTER OF DEEDS
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ 297,232
RECEIPTS	
Documentary stamp tax	1,768,633
Recording fees	1,595,258
Interest on checking account	3,433
Non-filing fee	5,817
Total receipts	<u>3,373,141</u>
DISBURSEMENTS	
Paid to County Treasurer	
Recording fees	1,606,433
Documentary stamp tax	498,135
Interest on checking account	4,961
Non-filing fee	5,888
Total paid to County Treasurer	<u>2,115,417</u>
Paid to State	
Documentary stamp tax	<u>1,244,993</u>
Total disbursements	<u>3,360,410</u>
BALANCE ON HAND, END OF THE YEAR	<u><u>\$ 309,963</u></u>
SUMMARY OF BALANCE ON HAND, END OF YEAR	
Cash on hand	\$ 5,078
Cash in bank	<u>304,885</u>
TOTAL BALANCE ON HAND	<u><u>\$ 309,963</u></u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
CLERK OF DISTRICT COURT
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ 3,969,272
Receipts, trust funds (including alimony, child support and fees)	26,022,294
Disbursements, trust funds (including alimony, child support and fees)	<u>27,765,935</u>
BALANCE ON HAND, END OF THE YEAR	<u><u>\$ 2,225,631</u></u>
SUMMARY OF BALANCE ON HAND, END OF YEAR	
Cash on hand	\$ 300
Cash in bank	1,035,128
Cash in investments	<u>1,190,203</u>
TOTAL BALANCE ON HAND	<u><u>\$ 2,225,631</u></u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
SHERIFF
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ 55,100
RECEIPTS	
Tax account	444,551
Fee account	346,949
Sales and executions collected on behalf of the Clerk of District Court	231,662
Contracts, grants, special projects, and miscellaneous	594,525
Vehicle inspection fees	124,640
Attorneys' trust	102,372
Total receipts	<u>1,844,699</u>
DISBURSEMENTS	
Tax account	422,812
Fee account	344,080
Sales and executions disbursed to the Clerk of District Court	230,647
Contracts, grants, special projects, and miscellaneous	594,525
Vehicle inspection fees	124,640
Attorneys' trust	103,699
Total disbursements	<u>1,820,403</u>
BALANCE ON HAND, END OF THE YEAR	<u>\$ 79,396</u>
SUMMARY OF BALANCE ON HAND, END OF YEAR	
Cash in bank	<u>\$ 79,396</u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
COUNTY ATTORNEY
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$	35,742
RECEIPTS		
Collections on bad checks		610,986
Collection fees		87,360
Interest		331
Total receipts		<u>698,677</u>
DISBURSEMENTS		
Payments on bad checks collected		609,733
Collection fees remitted to County Treasurer		87,360
Interest		331
Total disbursements		<u>697,424</u>
BALANCE ON HAND, END OF THE YEAR	\$	<u>36,995</u>
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Cash in bank	\$	13,000
Certificate of deposit		10,000
Balance with County Treasurer		<u>13,995</u>
TOTAL BALANCE ON HAND	\$	<u>36,995</u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
WEED CONTROL
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ -
RECEIPTS	39,028
	-
DISBURSEMENTS, PAID TO COUNTY TREASURER	<u>39,028</u>
BALANCE ON HAND, END OF THE YEAR	<u><u>\$ -</u></u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
CORRECTIONS DEPARTMENT
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF YEAR	\$ 20,377
RECEIPTS	
Room and board	1,707,532
State prisoner reimbursement	972,850
Inmate fund	2,197,895
Telephone commissions	197,450
Vending machine commissions	23,826
Work release meals	82,861
Worker commissary reimbursement	8,370
Social security reimbursement	14,400
Loan proceeds	200,000
Miscellaneous	17,536
Total receipts	<u>5,422,720</u>
DISBURSEMENTS	
County Treasurer	3,261,697
Inmate	2,056,568
Vendor	110,274
Total receipts	<u>5,428,539</u>
BALANCE ON HAND, END OF YEAR	<u>\$ 14,558</u>
SUMMARY OF BALANCE ON HAND, END OF YEAR	
Petty cash	\$ 100
Cash in bank	<u>14,458</u>
TOTAL BALANCE ON HAND	<u>\$ 14,558</u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
ENGINEER
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ -
RECEIPTS	
General fund	835
Bridge fund	588,581
Highway fund	284,831
Total receipts	<u>874,247</u>
DISBURSEMENTS	
General fund	835
Bridge fund	588,581
Highway fund	284,831
Total disbursements	<u>874,247</u>
BALANCE ON HAND, END OF THE YEAR	<u><u>\$ -</u></u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
EXTENSION BOARD
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ -
COLLECTIONS	111,443
CREDITS, PAID TO COUNTY TREASURER	<u>111,443</u>
BALANCE ON HAND, END OF THE YEAR	<u><u>\$ -</u></u>

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
VETERANS' AID FUND
For the year ended June 30, 2002

BALANCE ON HAND, BEGINNING OF THE YEAR	\$ 13,857
RECEIPTS	
Remittances from Lancaster County Treasurer	10,000
Special process	150
Sales tax refund	300
Total receipts	<u>10,450</u>
ASSISTANCE EXPENDITURES	
Rent	6,761
Utilities	946
Veteran burial	775
Food	2,211
Medical	-
Special process	150
Total assistance expenditures	<u>10,843</u>
BALANCE ON HAND, END OF THE YEAR	<u>\$ 13,464</u>
SUMMARY OF BALANCE ON HAND, END OF YEAR	
Cash in bank	<u>\$ 13,464</u>

See independent auditor's report.

Lancaster County, Nebraska
COMBINED STATEMENT OF ACCOUNTABILITY
For the year ended June 30, 2002

	Internal Service Funds	Lancaster County Leasing Corporation	County Treasurer	Clerk	Register of Deeds	Clerk of District Court	Sheriff	Attorney	Corrections	Veteran's Aid Fund	Total (memorandum only)
Assets											
Cash and investments	\$ 1,579,386	\$ 5,621,978	\$ 33,565,818	\$ 50	\$ 309,963	\$ 2,225,631	\$ 79,396	\$ 36,995	\$ 14,558	\$ 13,464	\$ 43,447,239
Prepaid expenses	27,160	-	-	-	-	-	-	-	-	-	27,160
Total asset	\$ 1,606,546	\$ 5,621,978	\$ 33,565,818	\$ 50	\$ 309,963	\$ 2,225,631	\$ 79,396	\$ 36,995	\$ 14,558	\$ 13,464	\$ 43,474,399
Liabilities											
Vouchers payable	\$ 13,550	\$ -	\$ 2,191,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,205,010
Other liabilities	1,617	-	1,270,000	-	-	-	-	-	-	-	1,271,617
Estimated liability for claims	548,722	-	-	-	-	-	-	-	-	-	548,722
Due to other taxing units	-	-	11,273,575	50	309,963	2,225,631	79,396	36,995	14,558	13,464	13,953,632
Total liabilities	563,889	-	14,735,035	50	309,963	2,225,631	79,396	36,995	14,558	13,464	17,978,981
Fund equity											
Retained earnings	1,042,657	-	-	-	-	-	-	-	-	-	1,042,657
Reserved for encumbrances	-	-	3,071,156	-	-	-	-	-	-	-	3,071,156
Unencumbered cash balances											
Reserved for debt service	-	5,621,978	-	-	-	-	-	-	-	-	5,621,978
Unreserved	-	-	15,759,627	-	-	-	-	-	-	-	15,759,627
Total fund equity	1,042,657	5,621,978	18,830,783	-	-	-	-	-	-	-	25,495,418
Total liabilities and fund equity	\$ 1,606,546	\$ 5,621,978	\$ 33,565,818	\$ 50	\$ 309,963	\$ 2,225,631	\$ 79,396	\$ 36,995	\$ 14,558	\$ 13,464	\$ 43,474,399

See independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2002

<u>Federal Grantor/Pass - Through Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Food Distribution Program		
Lancaster Manor	10.550	\$ 4,625
Detention Center	10.550	552
Passed Through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	42,617
Community Mental Health Center	10.555	<u>23,149</u>
Total U.S. Department of Agriculture		70,943
<u>U.S. Department of Justice</u>		
Passed-Through State Commission on Law Enforcement and Criminal Justice		
Juvenile Justice and Delinquency Prevention: Allocation to States:	16.540	115,123
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		
County Attorney - Street Drug Dealer Apprehension	16.580	124,970
County Sheriff - Street Drug Dealer Apprehension	16.580	48,185
Violence Against Women Formula Grants	16.588	179,567
Title V - Delinquency Prevention Program	16.548	100,000
Juvenile Accountability Incentive Block Grants	16.523	393,569
Local Law Enforcement Block Grants Program	16.592	181,587
Bulletproof Vest Partnership Program	16.607	<u>1,654</u>
Total U.S. Department of Justice		1,144,655
<u>U.S. Department of Transportation</u>		
Passed - Through Nebraska Department of Motor Vehicles		
State and Community Highway Safety	20.600	55,813

See accompanying note and independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the year ended June 30, 2002

<u>Federal Grantor/Passed - Through Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>Federal Expenditures</u>
<u>Federal Emergency Management Agency</u>		
Passed-Through Nebraska Military Department State and Local Assistance	83.552	\$ 90,780
<u>U.S. Department of Health and Human Services</u>		
Passed Through Nebraska Department of Health and Human Services Mental Health Planning and Demonstration Project		
Project Homeless Grant, Mental Health Care	93.150	32,527
Alcohol, Drug Abuse and Mental Health Services Block Grant, Mental Health Center	93.958	20,000
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1,747,683
Passed Through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	93.563	707,315
Child Support Enforcement, Clerk of District Court	93.563	647,869
Child Support Enforcement, Bailiff District Court	93.563	104,432
Refugee and Entrant Assistance: Targeted Assistance	93.584	<u>284,989</u>
Total U.S. Department of Health and Human Services		3,544,815
<u>Other Federal Assistance</u>		
U.S. Entitlement Lands	15.unknown	<u>17,239</u>
Total expenditures of federal awards		<u>\$ 4,924,245</u>

See accompanying note and independent auditor's report.

Lancaster County, Nebraska
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2002

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of all federal awards programs of Lancaster County, Nebraska (County). The County's reporting entity is defined in Note A to the County's combined financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included in the schedule.

2. Basis of Accounting

The accompanying schedule is presented using the budgetary basis of accounting, which is described in Note A to the County's combined financial statements.

The accompanying schedule presents total expenditures paid for each federal awards program in accordance with Office of Management and Budget (OMB) Circular A-133. Federal programs in titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA), whenever possible.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Lancaster County
Lincoln, Nebraska

We have audited the financial statements of Lancaster County, Nebraska (the County) as of and for the year ended June 30, 2002, and have issued our report there on dated December 23, 2002. In that report we issued an unqualified opinion. The financial statements of the proprietary fund type were prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements for the other fund types were prepared on a basis of accounting that demonstrates compliance with the budget laws of the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska
December 23, 2002

Hayes Associates . LLC



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Lancaster County
Lincoln, Nebraska

Compliance

We have audited the compliance of Lancaster County, Nebraska (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standard generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular 133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska
December 23, 2002

Hayes Associates, LLC

Lancaster County, Nebraska
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2002

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified.**

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified
that are not considered to be
material weaknesses? Yes X None reported

Noncompliance material to financial
statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified
that are not considered to be material
weaknesses(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133 Yes X No

Lancaster County, Nebraska
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended June 30, 2002

I. SUMMARY OF AUDIT RESULTS - CONTINUED

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.523	Juvenile Accountability Incentive Block Grant
93.563	Child Support Enforcement
93.104	Comprehensive Community Mental Health Services for Children With Serious Emotional Disturbances (SED)

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: Yes X No

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Lancaster County, Nebraska
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended June 30, 2002

No findings noted in the prior year.